

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 STR-04 AGR-05 FEA-01

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /103 W

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R 302021Z MAY 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6593

INFO USMISSION GENEVA

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: CANADIAN PROPOSED MODIFICATIONS OF IMPORT LICENSING
ON CHEESE

REF: STATE 120915

1. EXTAFF (FOWLER, COMMERCIAL POLICY DIVISION) TOLD
ECON COUNSELOR THIS MORNING THAT GOC IS IN FINAL
STAGES OF COMPLETING CONSOLIDATED REPLY TO QUESTIONS
ON CHEESE QUOTAS RAISED BY USG AND OTHER GOVERNMENTS
CONSULTED AND HOPES TO DESPATCH REPLY TO THOSE
GOVERNMENTS BEFORE END OF THE DAY. CABINET HAS APPROVED
IMPOSITION OF NEW LICENSING REQUIREMENTS AND, FOWLER
SAID, THEY WILL PROBABLY BE MADE EFFECTIVE SOMETIME
NEXT WEEK (I.E. WEEK OF JUNE 2). IN RESPONSE TO
ECON COUNSELOR'S QUESTION WHETHER GOC WOULD GIVE
INTERESTED GOVERNMENTS CHANCE TO REACT TO GOC ANSWERS
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TO QUESTIONS BEFORE ACTING TO IMPOSE QUOTAS,

FOWLER SAID "NO"; GOC FEELS IT MUST ACT PROMPTLY
BECAUSE OF DOMESTIC MARKET SITUATION AND BELIEVES
IT HAS GOOD GATT ARTICLE XI CASE.

2. FOWLER GAVE FOLLOWING BACKGROUND ON PROBLEM (SOME
OF WHAT FOWLER, WHO IS NOT NECESSARILY EXPERT IN
FIELD, SAID DOES NOT JIBE WITH INFO AVAILABLE TO
AGATT - SEE PARA 3 BELOW); GOC HAS DOMESTIC SUPPLY
MANAGEMENT PROGRAM FOR MANUFACTURING MILK. INDIVIDUAL
DAIRY FARMERS ARE GIVEN PRODUCTION QUOTAS FOR
MANUFACTURING MILK AND ARE PAID \$10/20CWT (MARKET
PRICE PLUS SOMETHING OVER \$2 IN SUBSIDY) FOR WITHIN-
QUOTA MILK. FOR ANY OVER-QUOTA PRODUCTION, FARMERS
ARE PENALIZED \$6.66/CWT WHICH LEAVES THEM WITH LESS
THAN \$2 RETURN. THIS IS SEVERE PENALTY AND AN EFFECTIVE
PRODUCTION CONTROL. PROBLEM THAT HAS DEVELOPED IS
THAT IMPORTED CHEESE IS BEING SUBSTITUTED FOR DOMESTIC
MANUFACTURING MILK IN PRODUCTION OF DOMESTIC CHEESE.
INDIVIDUAL DAIRY FARMERS' QUOTAS WERE REDUCED 6 PERCENT
IN JANUARY AND MAY HAVE TO BE FURTHER REDUCED. DOMESTIC
INDUSTRY CANNOT BE EXPECTED TO ACCEPT REDUCED QUOTAS
UNLESS STEPS TAKEN TO CONTROL IMPORTS. (FOWLER ASKED
THAT THERE BE NO REPEAT NO PUBLIC SPECULATION ABOUT
FURTHER REDUCTION IN DOMESTIC QUOTAS BUT IMPLIED CLEARLY
THAT ANNOUNCEMENT OF IMPORT QUOTAS WOULD BE TIED TO
FURTHER REDUCTION IN DOMESTIC PRODUCTION QUOTAS.)
IN CONCLUSION, FOWLER NOTED THAT IMPORT QUOTAS WOULD
BE INSTITUTED ON TRIAL BASIS FOR 1975 ONLY. NO
DECISION MADE YET REGARDING POSSIBLE QUOTAS IN 1976
AND SUCH DECISION WOULD BE INFLUENCED BY EXPERIENCE
IN 1975.

3. ACCORDING TO INFO AVAILABLE TO AGATT, CURRENT
PAYMENT FOR WITHIN-QUOTA MILK IS \$11.02/CWT (NOT \$10/20)
AND SUBSIDY IS \$2.66. PENALTY FOR OVER-QUOTA PRODUCTION
IS \$4.00 PLUS LOSS OF THE \$2.66 SUBSIDY LEAVING RETURN
TO FARMER OF \$4.36. NO FARMERS ARE BEING PENALIZED
TODAY NOR HAVE THEY BEEN FOR SOME TIME. NO INDIVIDUAL
FARMERS' QUOTAS HAVE BEEN REDUCED; PROVINCIAL
UNALLOCATED RESERVE QUOTAS WERE REDUCED APPROXIMATELY
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6 PERCENT ON APRIL 1 (NOT IN JANUARY). INDUSTRIAL
MILK PRODUCTION IN 1975 IS EXPECTED TO BE UP 5 PERCENT
OVER 1974; FLUID MILK CONSUMPTION IS SUFFERING FROM
PRICE RATIONING LEAVING ADDITIONAL QUANTITIES AVAILABLE

FOR INDUSTRIAL USE. TREND TOWARD 2 PERCENT FLUID MILK
MEANS MORE BUTTERFAT BECOMING AVAILABLE.

PORTER

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Message Attributes

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Disposition Authority: ElyME
Disposition Case Number: n/a
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Margaret P. Grafeld
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